



OIL EXTRACTION TAX INCENTIVE EXPIRES JUNE 30, 2015

TO: North Dakota Oil Producers and Purchasers
FROM: Office of State Tax Commissioner
SUBJECT: Horizontal New Well 2% Oil Extraction Tax Incentive Rate Expiration
DATE: June 30, 2015

Effective June 30, 2015, the 2% Horizontal New Well extraction tax incentive rate [contained in North Dakota Century Code § 57-51.1-03(9)] expired. Therefore, horizontal new well completions made after June 30, 2015 will NOT be eligible for the 2% oil extraction tax (OET) incentive rate contained in this subsection. The expiration of the incentive applies to all qualifying horizontal new wells, including qualifying wells located within the exterior boundaries of the Fort Berthold Indian Reservation (FBIR).

Qualifying wells completed between February 1, 2015 and June 30, 2015 are eligible for the 2% OET through December 31, 2015, or until barrel or, gross value maximums are met, whichever occurs first. For wells drilled and completed on the FBIR, the 2% OET rate applies only to the Non-Trust interest in the qualifying well.

Effective with January 2016 production, the OET rate will change to the newly created 5% OET rate, passed by the 2015 North Dakota State Legislature.

NORTH DAKOTA CENTURY CODE § 57-51.1-03(9) PROVIDES THAT:

The first seventy-five thousand barrels or the first four million five hundred thousand dollars of gross value at the well, whichever is less, of oil produced during the first eighteen months after completion, from a horizontal well drilled and completed after April 30, 2009, and before July 1, 2015, is subject to a reduced tax rate of two percent of the gross value at the well of the oil extracted under this chapter.

A well eligible for a reduced tax rate under this subsection is eligible for the exemption for horizontal wells under subsection 3, if the exemption under subsection 3 is effective during all or part of the first twenty-four months after completion.

The rate reduction under this subsection becomes effective on the first day of the month following a month for which the average price of a barrel of crude oil is less than fifty-five dollars.

The rate reduction under this subsection becomes ineffective on the first day of the month following a month in which the average price of a barrel of crude oil exceeds seventy dollars.

If the rate reduction under this subsection is effective on the date of completion of a well, the rate reduction applies to production from that well

for up to eighteen months after completion, subject to the other limitations of this subsection.

If the rate reduction under this subsection is ineffective on the date of completion of a well, the rate reduction under this subsection does not apply to production from that well at any time.

Additional information is available on our website at www.nd.gov/tax/oilgas/ A complete listing of links to the North Dakota Century and Administrative Codes are located on our website at www.nd.gov/tax/centurycode If you have any questions, please contact the Oil and Gas Tax Section at 701.328.2705 or by email at oiltax@nd.gov

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